

**COUNTY OF SAN DIEGO
HEALTH AND HUMAN SERVICES AGENCY**

(A component unit of the
County of San Diego, California)

Statement of Claims, Final Fiscal Reports, and
Final Revenue and Expenditure Reports
with Independent Auditor's Report

June 30, 2009

**COUNTY OF SAN DIEGO
HEALTH AND HUMAN SERVICES AGENCY**

Table of Contents

Independent Auditor's Report	1
Statement of Claims.....	3
Audited Final Fiscal Reports	8
Audited Final Revenue and Expenditure Reports.....	11
Notes to Financial Statements.....	13
Schedule of Expenditures of Federal and State Awards.....	19
Combining Schedule of Activities.....	20
Combining Schedule of Administrative Costs.....	22
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	24
Schedule of Findings and Questioned Costs.....	26
Status of Prior Year Findings and Questioned Costs.....	30



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA

9107 WILSHIRE BLVD., SUITE 400
BEVERLY HILLS, CA 90210
TEL: 310.273.2745
FAX: 310.273.1689
www.mlhcpas.com

INDEPENDENT AUDITOR'S REPORT

Health and Human Services Agency
County of San Diego
San Diego, California

We have audited the accompanying Statements of Claims, Final Fiscal Reports, and Final Revenue and Expenditure Reports of the County of San Diego Health and Human Services Agency (County) for the California State Department of Education Child Development Programs (Project Nos. 37-2337-00-8 and 37-2001-00-8, and Contract Nos. C2AP-8050, C3AP-8050, CAPP-8055, CRET-8033, and CLPC-8035) for the fiscal year ended June 30, 2009. The Statements of Claims, Final Fiscal Reports, and Final Revenue and Expenditure Reports are the responsibility of the County's management. Our responsibility is to express an opinion on the Statement of Claims, Final Fiscal Reports, and Final Revenue and Expenditure Reports based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the Audit Guide for Auditors of Child Development Programs Administered by County Welfare Departments (Audit Guide) issued by the California State Department of Education. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statements of Claims, Final Fiscal Reports, and Final Revenue and Expenditure Reports are free of material misstatements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Statements of Claims, Final Fiscal Reports, and Final Revenue and Expenditure Reports. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Statements of Claims, Final Fiscal Reports, and Final Revenue and Expenditure Reports present fairly, in all material respects, the program expenditures, program funds received, and fiscal year reimbursements for the fiscal year ended June 30, 2009.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2009, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying schedule of expenditures of federal and state awards, combining schedule of activities, and combining schedule of administrative costs are presented for purposes of additional analysis and are not required parts of the Statements of Claims, Final Fiscal Reports, and Final Revenue and Expenditure Reports. Such additional information has been subjected to the auditing procedures applied in the audit of Statements of Claims, Final Fiscal Reports, and Final Revenue and Expenditure Reports and, in our opinion, are fairly stated, in all material respects, in relation to the Statements of Claims, Final Fiscal Reports, and Final Revenue and Expenditure Reports taken as a whole.

This report is intended solely for the information and use of the County of San Diego and for filing with the California State Department of Education in connection with the contracts to which it refers, and should not be used for any other purposes.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Beverly Hills, California
October 30, 2009

**COUNTY OF SAN DIEGO
HEALTH AND HUMAN SERVICES AGENCY**

Alternative Payment Program - State General Fund
Project No.: 37-2337-00-8
Contract No.: CAPP-8055

Statement of Claims
Fiscal Year 2008-2009

Program Expenditures:

Direct service expenditures	\$ 3,485,947	
Administrative and support services costs	<u>609,554</u>	
Total Expenditures		\$ 4,095,501

Program Funds Received:

State of California	4,036,282	
Parent fees	180,405	
Funds used to satisfy MOE requirement	105,332	
Other: Interest earned on State advances	<u>6,197</u>	
Total Funds Received		<u>4,328,216</u>
Program Funds Due to the County (Due to the State)		<u><u>\$ (232,715)</u></u>

The accompanying notes are an integral part of these financial statements

**COUNTY OF SAN DIEGO
HEALTH AND HUMAN SERVICES AGENCY**

Alternative Payment Program - Child Care Development Fund

Project No.: 37-2337-00-8

Contract No.: C2AP-8050

Statement of Claims

Fiscal Year 2008-2009

Program Expenditures:

Direct service expenditures	\$ 6,677,390	
Administrative and support services costs	<u>1,325,549</u>	
Total Expenditures		\$ 8,002,939

Program Funds Received:

State of California	7,710,660	
Parent fees	183,071	
Other: Interest earned on State advances	<u>60,143</u>	
Total Funds Received		<u>7,953,874</u>
Program Funds Due to the County (Due to the State)		<u><u>\$ 49,065</u></u>

The accompanying notes are an integral part of these financial statements

**COUNTY OF SAN DIEGO
HEALTH AND HUMAN SERVICES AGENCY**

Alternative Payment Program - Child Care Development Fund
Project No.: 37-2337-00-8
Contract No.: C3AP-8050

Statement of Claims
Fiscal Year 2008-2009

Program Expenditures:

Direct service expenditures	\$ 4,500,147	
Administrative and support services costs	<u>665,951</u>	
Total Expenditures		\$ 5,166,098

Program Funds Received:

State of California	5,100,144	
Parent fees	259,741	
Other: Interest earned on State advances	<u>18,680</u>	
Total Funds Received		<u>5,378,565</u>
Program Funds Due to the County (Due to the State)		<u><u>\$ (212,467)</u></u>

The accompanying notes are an integral part of these financial statements

COUNTY OF SAN DIEGO
HEALTH AND HUMAN SERVICES AGENCY

Alternative Payment Program - Child Care Development Fund

Project No.: 37-2001-00-8

Contract No.: CLPC-8035

Statement of Claims

Fiscal Year 2008-2009

Program Expenditures:

Administrative and support services costs	<u>\$ 171,699</u>	
Total Expenditures		\$ 171,699

Program Funds Received:

State of California	135,877	
Funds used to satisfy MOE requirement	21,750	
Other: Interest earned on State advances	<u>4,356</u>	
Total Funds Received		<u>161,983</u>
Program Funds Due to the County (Due to the State)		<u><u>\$ 9,716</u></u>

The accompanying notes are an integral part of these financial statements

**COUNTY OF SAN DIEGO
HEALTH AND HUMAN SERVICES AGENCY**

Alternative Payment Program - Child Care Development Fund

Project No.: 37-2001-00-8

Contract No.: CRET-8033

Statement of Claims

Fiscal Year 2008-2009

Program Expenditures:

Administrative and support services costs	<u>\$ 951,991</u>	
Total Expenditures		\$ 951,991

Program Funds Received:

State of California	336,009	
Other: Interest earned on State advances	<u>1,361</u>	
Total Funds Received		<u>337,370</u>
Program Funds Due to the County (Due to the State)		<u><u>\$ 614,621</u></u>

The accompanying notes are an integral part of these financial statements

AUDITED FINAL FISCAL REPORT
for Alternative Payment or Family Child Care Home Programs

Agency Name: County of San Diego Health and Human Services Agency Vendor No. 2337

Fiscal Year End: June 30, 2009 Contract No. CAPP-8055

Independent Auditor's Name: Moss, Levy & Hartzheim, LLP

SECTION I - REVENUE	EDP NO.	Column A	Column B	Column C
		CUMULATIVE FISCAL YEAR PER AGENCY	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
RESTRICTED PROGRAM INCOME				
Child Care Food/National School Lunch Program	302	\$ -	\$ -	\$ -
Restricted income for operating costs	306			
Cal Learn Program	308			
Maintenance of Effort	339	105,332		105,332
Other:	312			
SUBTOTAL	311	105,332		105,332
TRANSFER FROM RESERVE FUND	310			
FAMILY FEES FOR CERTIFIED CHILDREN	329	180,405		180,405
INTEREST EARNED ON CHILD DEVELOPMENT CONTRACT PAYMENTS	349	6,197		6,197
NON-RESTRICTED INCOME				
Parent fees for noncertified children	356			
Other:	362			
TOTAL REVENUE	390	\$ 291,934	\$ -	\$ 291,934
SECTION II - EXPENSES				
REIMBURSABLE EXPENSES				
Direct Payments to Providers	401	\$ 3,485,947	\$ -	\$ 3,485,947
1000 Certificated Salaries	402			
2000 Classified Salaries	404	321,177		321,177
3000 Employee Benefits	406	189,054		189,054
4000 Books and Supplies	408	6,212		6,212
5000 Services and Other Operating Expenses	412	52,293		52,293
6100/6200 Other Approved Capital Outlay	413			
6400 New Equipment (program-related)	414			
6500 Equipment Replacement (program-related)	416			
Depreciation or Use Allowance	439			
Start-Up Expenses (service level exemption)	447			
Indirect Costs -- Rate: 8.00%	459	40,818		40,818
NONREIMBURSABLE EXPENSES				
6100-6500 Nonreimbursable capital outlay	479			
Other:	489			
TOTAL EXPENSES	490	\$ 4,095,501	\$ -	\$ 4,095,501
TOTAL ADMINISTRATIVE COST (included above)	690	\$ 98,009	\$ -	\$ 98,009
DAYS OF OPERATION	169	250		250

COMMENTS - If necessary, attach additional sheet(s) to explain information contained in this report:

The accompanying notes are an integral part of these financial statements

AUDITED FINAL FISCAL REPORT
for Alternative Payment or Family Child Care Home Programs

Agency Name: County of San Diego Health and Human Services Agency Vendor No. 2337

Fiscal Year End: June 30, 2009 Contract No. C2AP-8050

Independent Auditor's Name: Moss, Levy & Hartzheim, LLP

SECTION I - REVENUE	EDP NO.	Column A	Column B	Column C
		CUMULATIVE FISCAL YEAR PER AGENCY	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
RESTRICTED PROGRAM INCOME				
Child Care Food/National School Lunch Program	302	\$ -	\$ -	\$ -
Restricted income for operating costs	306			
Cal Learn Program	308			
Maintenance of Effort	339			
Other:	312			
SUBTOTAL	311			
TRANSFER FROM RESERVE FUND	310			
FAMILY FEES FOR CERTIFIED CHILDREN	329	183,071		183,071
INTEREST EARNED ON CHILD DEVELOPMENT CONTRACT PAYMENTS				
	349	60,143		60,143
NON-RESTRICTED INCOME				
Parent fees for noncertified children	356			
Other:	362			
TOTAL REVENUE	390	\$ 243,214	\$ -	\$ 243,214
SECTION II - EXPENSES				
REIMBURSABLE EXPENSES				
Direct Payments to Providers	401	\$ 6,677,390	\$ -	\$ 6,677,390
1000 Certificated Salaries	402			
2000 Classified Salaries	404	689,065		689,065
3000 Employee Benefits	406	413,912		413,912
4000 Books and Supplies	408	14,029		14,029
5000 Services and Other Operating Expenses	412	120,305		120,305
6100/6200 Other Approved Capital Outlay	413			
6400 New Equipment (program-related)	414			
6500 Equipment Replacement (program-related)	416			
Depreciation or Use Allowance	439			
Start-Up Expenses (service level exemption)	447			
Indirect Costs -- Rate: 8.00%	459	88,238		88,238
NONREIMBURSABLE EXPENSES				
6100-6500 Nonreimbursable capital outlay	479			
Other:	489			
TOTAL EXPENSES	490	\$ 8,002,939	\$ -	\$ 8,002,939
TOTAL ADMINISTRATIVE COST (included above)	690	\$ 211,821	\$ -	\$ 211,821
DAYS OF OPERATION	169	250		250

COMMENTS - If necessary, attach additional sheet(s) to explain information contained in this report:

The accompanying notes are an integral part of these financial statements

AUDITED FINAL FISCAL REPORT
for Alternative Payment or Family Child Care Home Programs

Agency Name: County of San Diego Health and Human Services Agency Vendor No. 2337
 Fiscal Year End: June 30, 2009 Contract No. C3AP-8050
 Independent Auditor's Name: Moss, Levy & Hartzheim, LLP

SECTION I - REVENUE	EDP NO.	Column A	Column B	Column C
		CUMULATIVE FISCAL YEAR PER AGENCY	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
RESTRICTED PROGRAM INCOME				
Child Care Food/National School Lunch Program	302	\$ -	\$ -	\$ -
Restricted income for operating costs	306			
Cal Learn Program	308			
Maintenance of Effort	339			
Other:	312			
SUBTOTAL	311			
TRANSFER FROM RESERVE FUND	310			
FAMILY FEES FOR CERTIFIED CHILDREN	329	259,741		259,741
INTEREST EARNED ON CHILD DEVELOPMENT CONTRACT PAYMENTS	349	18,680		18,680
NON-RESTRICTED INCOME				
Parent fees for noncertified children	356			
Other:	362			
TOTAL REVENUE	390	\$ 278,421	\$ -	\$ 278,421
SECTION II - EXPENSES				
REIMBURSABLE EXPENSES				
Direct Payments to Providers	401	\$ 4,500,147	\$ -	\$ 4,500,147
1000 Certificated Salaries	402			
2000 Classified Salaries	404	348,305		348,305
3000 Employee Benefits	406	206,353		206,353
4000 Books and Supplies	408	7,199		7,199
5000 Services and Other Operating Expenses	412	59,721		59,721
6100/6200 Other Approved Capital Outlay	413			
6400 New Equipment (program-related)	414			
6500 Equipment Replacement (program-related)	416			
Depreciation or Use Allowance	439			
Start-Up Expenses (service level exemption)	447			
Indirect Costs -- Rate: 8.00%	459	44,373		44,373
NONREIMBURSABLE EXPENSES				
6100-6500 Nonreimbursable capital outlay	479			
Other:	489			
TOTAL EXPENSES	490	\$ 5,166,098	\$ -	\$ 5,166,098
TOTAL ADMINISTRATIVE COST (included above)	690	\$ 106,836	\$ -	\$ 106,836
DAYS OF OPERATION	169	250		250

COMMENTS - If necessary, attach additional sheet(s) to explain information contained in this report:

The accompanying notes are an integral part of these financial statements

**AUDITED FINAL REVENUE AND EXPENDITURE REPORT
for Support Contracts**

Agency Name: County of San Diego Health and Human Services Agency Vendor No. 2001
 Fiscal Year End: June 30, 2009 Contract No. CLPC-8035
 Independent Auditor's Name: Moss, Levy & Hartzheim, LLP

	COLUMN A	COLUMN B	COLUMN C
SECTION I - REVENUE	CUMULATIVE FISCAL YEAR PER AGENCY	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
RESTRICTED PROGRAM INCOME			
Child Care Food/National School Lunch Program	\$ -	\$ -	\$ -
Cal Learn Program			
Restricted income for operating costs			
Maintenance of Effort	21,750		21,750
Other (specify):			
Subtotal Restricted Program Income	21,750		21,750
FAMILY FEES FOR CERTIFIED CHILDREN			
INTEREST EARNED ON CHILD DEVELOPMENT CONTRACT PAYMENTS	4,356		4,356
NON-RESTRICTED INCOME			
Parent fees for noncertified children			
Other (specify):			
Subtotal Revenue for Current Fiscal Year	26,106		26,106
Revenue Earned in Prior Years			
TOTAL REVENUE	\$ 26,106	\$ -	\$ 26,106

SECTION II - EXPENDITURES

REIMBURSABLE			
1000 Certificated Salaries	\$ -	\$ -	\$ -
2000 Classified Salaries	18,626		18,626
3000 Employee Benefits	10,139		10,139
4000 Books and Supplies			
5000 Services and Other Operating Expenses	142,934		142,934
6100/6200 Other Approved Capital Outlay			
6400 New Equipment (program-related)			
6500 Equipment Replacement (program-related)			
Depreciation or Use Allowance			
Start-Up Expenses (service level exemption)			
Indirect Costs -- Rate:			
NONREIMBURSABLE EXPENSES			
6100-6500 Nonreimbursable capital outlay			
Other nonreimbursable expenses (specify):			
Subtotal Expenses for Current Fiscal Year	171,699		171,699
Expenses Incurred in Prior Years			
TOTAL EXPENSES	\$ 171,699	\$ -	\$ 171,699
TOTAL ADMINISTRATIVE COST (included in section II above)	\$ 4,428	\$ -	\$ 4,428

COMMENTS - If necessary, attach additional sheet(s) to explain information contained in this report:

The accompanying notes are an integral part of these financial statements

**AUDITED FINAL REVENUE AND EXPENDITURE REPORT
for Support Contracts**

Agency Name: County of San Diego Health and Human Services Agency Vendor No. 2001

Fiscal Year End: June 30, 2009 Contract No. CRET-8033

Independent Auditor's Name: Moss, Levy & Hartzheim, LLP

	COLUMN A	COLUMN B	COLUMN C
SECTION I - REVENUE	CUMULATIVE FISCAL YEAR PER AGENCY	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
RESTRICTED PROGRAM INCOME			
Child Care Food/National School Lunch Program	\$ -	\$ -	\$ -
Cal Learn Program			
Restricted income for operating costs			
Maintenance of Effort			
Other (specify):			
Subtotal Restricted Program Income			
FAMILY FEES FOR CERTIFIED CHILDREN			
INTEREST EARNED ON CHILD DEVELOPMENT CONTRACT PAYMENTS	1,361		1,361
NON-RESTRICTED INCOME			
Parent fees for noncertified children			
Other (specify):			
Subtotal Revenue for Current Fiscal Year	1,361		1,361
Revenue Earned in Prior Years			0
TOTAL REVENUE	\$ 1,361	\$ -	\$ 1,361

SECTION II - EXPENDITURES

REIMBURSABLE			
1000 Certificated Salaries	\$ -	\$ -	\$ -
2000 Classified Salaries	18,626		18,626
3000 Employee Benefits	10,139		10,139
4000 Books and Supplies			
5000 Services and Other Operating Expenses	923,226		923,226
6100/6200 Other Approved Capital Outlay			
6400 New Equipment (program-related)			
6500 Equipment Replacement (program-related)			
Depreciation or Use Allowance			
Start-Up Expenses (service level exemption)			
Indirect Costs -- Rate:			
NONREIMBURSABLE EXPENSES			
6100-6500 Nonreimbursable capital outlay			
Other nonreimbursable expenses (specify):			
Subtotal Expenses for Current Fiscal Year	951,991		951,991
* Expenses Incurred in Prior Years			
TOTAL EXPENSES	\$ 951,991	\$ -	\$ 951,991
TOTAL ADMINISTRATIVE COST (included in section II above)	\$ 4,943	\$ -	\$ 4,943

COMMENTS - If necessary, attach additional sheet(s) to explain information contained in this report:

The accompanying notes are an integral part of these financial statements

**COUNTY OF SAN DIEGO
HEALTH AND HUMAN SERVICES AGENCY**

Notes to Financial Statements
June 30, 2009

Note 1 Summary of Significant Accounting Policies

A. Reporting Entity

The County of San Diego is a political subdivision of the State of California (State) and is governed by an elected Board of Supervisors. As such, it can exercise the powers specified by the Constitution and Statutes of the State. The Health and Human Services Agency is a department within the County of San Diego and operates the California State Department of Education Child Development Programs within the County.

The accompanying financial statement presentations relate to the County of San Diego Health and Human Services Agency operations and include only selected data that is required to be reported to the California State Department of Education, pursuant to Contract Nos. CAPP-8055, C2AP-8050, C3AP-8050, CRET-8033, and CLPC-8035. In accordance with criteria adopted by the Governmental Accounting Standards Board (GASB), the entire operation of the County of San Diego Health and Human Services Agency is included in the County of San Diego's Comprehensive Annual Financial Report.

B. General Program Information

The County of San Diego Health and Human Services Agency administered the following California State Department of Education Child Development Programs during the fiscal year ended June 30, 2009: County California Work Opportunity and Responsibility to Kids (CalWorks) Stage 2, Child Care and Development Block Grant (CCDBG), CalWorks Stage 3, Local Child Care Planning Council, and Child Care Staff Retention Program.

The County CalWorks Stage 2 and Stage 3 programs fund the childcare costs of low income families with parents who are CalWorks recipients or former recipients and who are either employed, seeking employment, receiving employment-related training, or incapacitated. Children who have reached their thirteenth birthday are ineligible for subsidized services except that children with exceptional needs and severely disabled children may be served to age twenty-one.

The CCDBG Program funds the childcare costs of children from low income families who are receiving protection services through the local county welfare department or who are identified by a legal, medical, social service, or emergency shelter as suffering from or at risk of abuse, neglect, or exploitation.

The State General Fund program funds the childcare costs of families who are recipients of public assistance, or are homeless or low income, and children who are receiving protection services through the local county welfare department or who are identified by a legal, medical, social service agency, or emergency shelter

**COUNTY OF SAN DIEGO
HEALTH AND HUMAN SERVICES AGENCY**

Notes to Financial Statements
June 30, 2009

Note 1 **Summary of Significant Accounting Policies (Continued)**

B. General Program Information (Continued)

as suffering from or at risk of abuse, neglect, or exploitation. The parents of families receiving this aid have to be either employed, seeking employment, participating in employment related training, homeless and seeking permanent housing, or incapacitated.

The Local Child Care Planning Council was established to develop a comprehensive long range plan for a broad spectrum of childcare and development services. Items that may be addressed by the council include the expansion of care for all children with childcare and development needs within the County and the development of strategies and mechanisms for upgrading the quality of care.

The Child Care Staff Retention Program (CRET-8033) was established to retain qualified child care employees, who work directly with children who receive subsidized care, in State subsidized, center-based programs.

C. Basis of Presentation

The Statements of Claims, Final Fiscal Reports, Final Revenue and Expenditure Reports, Schedule of Activities, and Schedule of Administrative Costs were prepared from the accounts and transactions of the County. The statements summarize revenues, expenditures, and matching funds recorded by the County for the fiscal year ended June 30, 2009 and follow the formats prescribed by the California State Department of Education.

D. Method of Accounting

Prior to July 1, 2000, the County used the modified accrual basis of accounting for the Statements of Claims, Final Fiscal Reports, Final Revenue and Expenditure Reports, Schedule of Activities, and Schedule of Administrative Costs. The Program began to utilize the accrual basis of accounting in fiscal year ended June 30, 2001. Revenues are recognized in the period earned and expenses are recognized in the period incurred.

Note 2 **Direct Service Expenditures**

Direct service expenditures represent direct payments to eligible families or childcare providers plus other direct service costs classified in the Audit Guide. Direct service expenditures also include costs offset by parent fees paid directly to providers. Service providers' costs financed by direct payments from parents are not included in expenditures reported monthly or quarterly to the State. See Note 7 for a summary of parent fee amounts.

**COUNTY OF SAN DIEGO
HEALTH AND HUMAN SERVICES AGENCY**

Notes to Financial Statements
June 30, 2009

Note 3 Administrative Expenditures and Support Costs

Costs related to the administration of the child development programs, other than direct service expenditures, are reported as administrative expenditures on the Statement of Claims. The administrative expenditures consist of administrative and support services costs. For the fiscal year ended June 30, 2009, such costs consisted of the following:

	<u>Administrative</u>	<u>Support</u>	<u>Total</u>
CAPP-8055			
Salaries and benefits	\$ 54,704	\$ 455,527	\$ 510,231
Indirect costs	40,818		40,818
Books and supplies		6,212	6,212
Services and other operating expenses		49,806	49,806
Audit fee	2,487		2,487
Total	<u>\$ 98,009</u>	<u>\$ 511,545</u>	<u>\$ 609,554</u>
C2AP-8050			
Salaries and benefits	\$ 118,573	\$ 984,404	\$ 1,102,977
Indirect costs	88,238		88,238
Books and supplies		14,029	14,029
Services and other operating expenses		115,295	115,295
Audit fee	5,010		5,010
Total	<u>\$ 211,821</u>	<u>\$ 1,113,728</u>	<u>\$ 1,325,549</u>
C3AP-8050			
Salaries and benefits	\$ 59,211	\$ 495,447	\$ 554,658
Indirect costs	44,373		44,373
Books and supplies		7,199	7,199
Services and other operating expenses		56,469	56,469
Audit fee	3,252		3,252
Total	<u>\$ 106,836</u>	<u>\$ 559,115</u>	<u>\$ 665,951</u>
CLPC-8035			
Salaries and benefits	\$ 4,315	\$ 24,450	\$ 28,765
Services and other operating expenses		142,821	142,821
Audit fee	113		113
Total	<u>\$ 4,428</u>	<u>\$ 167,271</u>	<u>\$ 171,699</u>

**COUNTY OF SAN DIEGO
HEALTH AND HUMAN SERVICES AGENCY**

Notes to Financial Statements
June 30, 2009

Note 3 Administrative Expenditures and Support Costs (Continued)

	Administrative	Support	Total
CRET-8033			
Salaries and benefits	\$ 4,315	\$ 24,450	\$ 28,765
Services and other operating expenses		922,598	922,598
Audit fee	628		628
Total	<u>\$ 4,943</u>	<u>\$ 947,048</u>	<u>\$ 951,991</u>

Note 4 Maintenance of Effort (MOE) Requirement

California State Department of Education regulations require counties to maintain a funding level of effort for the Child Development Programs commensurate with Fiscal Year 1970/1971 levels.

The County satisfied its Maintenance of Effort (MOE) requirement of \$105,332. The amount retained by the County's Child Development Programs was \$0. The amount spent on administrative and support costs was \$609,554. There were also expenditures of \$3,485,947 spent on direct service expenditures.

For the State General Fund CDP Program, administration and support services totaled \$609,554 and direct service expenditures totaled \$3,485,947 which were more than 100% of the required MOE. Actual administration and support services costs of \$504,222 and direct service expenditures of \$3,485,947 reported on line 10b of the Audited Final Reimbursement for the State General Fund CAP Program, Contract No. CAPP-8055, Project Number 37-2337-00-8, does not reflect the \$105,332 in administration and support costs due to exclusion by operation of formula at line 4 for the project and contract.

The County also satisfied its Maintenance of Effort (MOE) requirement of \$21,750 for contract number CLPC-8035. The amount retained by the County's Child Development Programs was \$0. The amount spent on administrative and support costs was \$171,699 which is more than 100% of the required MOE.

Note 5 Interest Earned on State Advances

Interest was calculated, based on County cash investment yields applied to amounts advanced from the State that were outstanding during the period. Amounts earned by the County were retained and reported in accordance with the Contract Funding Terms and Conditions, which are recorded in the County's General Fund. Interest earned must be used for Child Development Program expenditures.

**COUNTY OF SAN DIEGO
HEALTH AND HUMAN SERVICES AGENCY**

Notes to Financial Statements
June 30, 2009

Note 6 Fiscal Year Reimbursable Earnings

Fiscal year reimbursable earnings are the lesser of the contract amount or total expenditures incurred during the fiscal year in the provision of child care and development services for subsidized children, reduced by disallowed costs and restricted income.

Note 7 Parent Fees

Fees totaling \$623,217 were paid by parents directly to providers as follows:

CAPP-8055	\$ 180,405
C2AP-8050	183,071
C3AP-8050	<u>259,741</u>
Total	<u><u>\$ 623,217</u></u>

Note 8 Amount Due to/(from) the State

The amount of program funds due to the State:

CAPP-8055	\$ 232,715
C2AP-8050	(49,065)
C3AP-8050	212,467
CLPC-8035	(9,716)
CRET-8033	<u>(614,621)</u>
Total	<u><u>\$ (228,220)</u></u>

Note 9 Contingency

An IRS notice of proposed penalties may be issued for 1099 information forms issued for the 2008 and 2009 tax years. These notices have been received annually for past tax years. These proposed penalties occur in cases where the County's filed information returns have Tax Payer Identification Numbers that do not match IRS records. The County has contested these penalties in most cases and penalties have been waived for some recent years. The range of proposed penalties has been small, below \$7,000 in recent years. There has been no IRS notification yet for the tax year 2008 filings.

THIS PAGE INTENTIONALLY LEFT BLANK

**COUNTY OF SAN DIEGO
HEALTH AND HUMAN SERVICES AGENCY**

Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2009

Federal Grantor/ Pass-Through Grantor	Federal CFDA Number	Pass-Through Contract Number	Federal and State Expenditures
Program Title			
Passed through the California Department of Education			
Child Development Division Alternative Payment	N/A	CAPP-8055	\$ 4,095,501
Child Care and Development Fund (CalWorks Stage 2)	N/A	C2AP-8050	8,002,939
Child Care and Development Fund (CalWorks Stage 3-Timing Out)	N/A	C3AP-8050	<u>5,166,098</u>
Total			<u>17,264,538</u>
Other Programs:			
Child Development Division			
Local Child Care Planning and Development Council	N/A	CLPC-8035	171,699
CC Salary/Retention Incentive	N/A	CRET-8033	<u>951,991</u>
Total Other Programs			<u>1,123,690</u>
Total			<u>\$ 18,388,228</u>

Notes: Maintenance of Effort of \$21,750 was received from the County of San Diego and expended on the Local Planning Council Program in accordance with the County and Child Development Division.

Maintenance of Effort funds of \$105,332 were received from the County of San Diego and expended on the Alternative Payment Program in accordance with County and Child Development Division.

**COUNTY OF SAN DIEGO
HEALTH AND HUMAN SERVICES AGENCY**

Combining Schedule of Activities
Fiscal Year 2008-2009

	<u>CAPP-8055</u>	<u>C2AP-8050</u>	<u>C3AP-8050</u>
<u>Support, Revenues, and Gains</u>			
<u>Support</u>			
Maintenance of effort	\$ 105,332	\$ -	\$ -
Total Support	<u>105,332</u>		
<u>Revenues</u>			
State apportionments	4,036,282	7,710,660	5,100,144
Parent fees	180,405	183,071	259,741
Interest earned on State advances	<u>6,197</u>	<u>60,143</u>	<u>18,680</u>
Total Revenues	<u>4,222,884</u>	<u>7,953,874</u>	<u>5,378,565</u>
 Total Support, Revenues, and Gains	 <u>4,328,216</u>	 <u>7,953,874</u>	 <u>5,378,565</u>
<u>Expenses</u>			
Classified Salaries:			
Office personnel	321,177	689,065	348,305
Employee benefits	189,054	413,912	206,353
Books	6,212	14,029	7,199
Provider payments	3,485,947	6,677,390	4,500,147
Legal, audit, and accounting	2,487	5,010	3,252
Other expenses	49,806	115,295	56,469
Indirect costs	<u>40,818</u>	<u>88,238</u>	<u>44,373</u>
Total Expenses	<u>4,095,501</u>	<u>8,002,939</u>	<u>5,166,098</u>
Excess (deficiency) of support, revenues, gains, and expenses	<u>\$ 232,715</u>	<u>\$ (49,065)</u>	<u>\$ 212,467</u>

<u>CLPC-8035</u>	<u>CRET-8033</u>	<u>Totals</u>
<u>\$ 21,750</u>	<u>\$ -</u>	<u>\$ 127,082</u>
<u>21,750</u>		<u>127,082</u>
135,877	336,009	17,318,972
		623,217
<u>4,356</u>	<u>1,361</u>	<u>90,737</u>
<u>140,233</u>	<u>337,370</u>	<u>18,032,926</u>
<u>161,983</u>	<u>337,370</u>	<u>18,160,008</u>
18,626	18,626	1,395,799
10,139	10,139	829,597
		27,440
		14,663,484
113	628	11,490
142,821	922,598	1,286,989
		173,429
<u>171,699</u>	<u>951,991</u>	<u>18,388,228</u>
<u>\$ (9,716)</u>	<u>\$ (614,621)</u>	<u>\$ (228,220)</u>

**COUNTY OF SAN DIEGO
HEALTH AND HUMAN SERVICES AGENCY**

Combining Schedule of Administrative Costs
Fiscal Year 2008-2009

	<u>CAPP-8055</u>	<u>C2AP-8050</u>	<u>C3AP-8050</u>
Prior, Multi-Year Contracts	\$ -	\$ -	\$ -
Current Year:			
Administrative salaries	35,093	75,653	37,924
Employee benefits	19,611	42,920	21,287
Audit and legal	2,487	5,010	3,252
Indirect costs	<u>40,818</u>	<u>88,238</u>	<u>44,373</u>
Total Administrative Costs	<u>\$ 98,009</u>	<u>\$ 211,821</u>	<u>\$ 106,836</u>

<u>CLPC-8035</u>	<u>CRET-8033</u>	<u>Totals</u>
\$ -	\$ -	\$ -
2,794	2,794	154,258
1,521	1,521	86,860
113	628	11,490
		<u>173,429</u>
<u>\$ 4,428</u>	<u>\$ 4,943</u>	<u>\$ 426,037</u>



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA

9107 WILSHIRE BLVD., SUITE 400
BEVERLY HILLS, CA 90210
TEL: 310.273.2745
FAX: 310.273.1689
www.mlhcpas.com

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Health and Human Services Agency
County of San Diego
San Diego, California

We have audited the accompanying Statements of Claims, Final Fiscal Reports, and Final Revenue and Expenditure Reports of the County of San Diego Health and Human Services Agency (County) for the California State Department of Education Child Development Program (Project Nos. 37-2337-00-8 and 37-2001-00-8, and Contract Nos. C2AP-8050, C3AP-8050, CAPP-8055, CRET-8033, and CLPC-8035) as of and for the fiscal year ended June 30, 2009, and have issued our report thereon dated October 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's Statements of Claims, Final Fiscal Reports, and Final Revenue and Expenditure Reports that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting (2009-1 to 2009-3). We did not audit the County's responses and accordingly, we express no opinion on them.

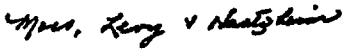
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance

As part of obtaining reasonable assurance about whether the County's Statements of Claims, Final Fiscal Reports, and Final Revenue and Expenditure Reports are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the County, management, and the California State Department of Education and is not intended to be and should not be used by anyone other than these specified parties.


Moss, Levy & Hartzheim, LLP
Beverly Hills, California
October 30, 2009

**COUNTY OF SAN DIEGO
HEALTH AND HUMAN SERVICES AGENCY**

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2009

Section 1 – Summary of Audit Results

Financial Statements

1. The Independent Auditor's Report on the Statements of Claims, Final Fiscal Reports, and Final Revenue and Expenditure Reports of the County of San Diego Health and Human Services Agency (County) for the California State Department of Education Child Development Program (Project Nos. 37-2337-00-8 and 37-2001-00-8, and Contract Nos. C2AP-8050, C3AP-8050, CAPP-8055, CRET-8033, and CLPC-8035) expressed an unqualified opinion.
2. Internal control over financial reporting:
 - a. No material weaknesses identified
 - b. Significant deficiencies identified-See Findings 2009-1 to 2009-3
3. Compliance:
 - a. No reportable instances of noncompliance identified

Section 2 – Financial Statement Findings

2009-1 Finding – Family fee was incorrectly calculated:

During our review of client files, we noted that seven out of 30 client files had family fees that were calculated incorrectly.

For one of the client files, the family fee was incorrectly calculated because the total hours per day on the attendance sheet was miscalculated for one day, which resulted in an underpayment by the County of \$1.

For two of the client files, the family fee was incorrectly assessed due to an incorrect calculation of the number of childcare service days. This resulted in an overpayment by the County of \$6 and an underpayment of \$18.60.

For one of the client files, the family fee was not paid by parent/caretaker, which resulted in an overpayment by the County of \$40.25.

For one of the client files, the income was incorrectly calculated due to income from tips being excluded from the income calculation. This resulted in an overpayment by the County of \$6.10.

For one of the client files, the income was calculated using a bi-weekly pay period method instead of using the weekly pay period method. There was no change in the family fee calculation.

For one of the client files, the supporting documentation used to arrive at the family income was not available. Therefore, we were unable to verify the family fee and assess if the correct family fee was being charged.

**COUNTY OF SAN DIEGO
HEALTH AND HUMAN SERVICES AGENCY**

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2009

Section 2 – Financial Statement Findings (Continued)

2009-1 Finding – Family fee was incorrectly calculated (Continued):

Effect:

The County assessed incorrect family fees which resulted in the County over/under paying the respective service providers with State funds.

Recommendation:

We recommend that the County ensure that all family fee and family income calculations are calculated correctly and are reviewed for accuracy by authorized personnel.

Management's Response:

The County agrees with the finding.

2009-2 Finding – Payment calculation was incorrectly calculated:

During our review of client files, we noted that ten out of 30 client files had incorrect calculations:

For one client file, the service provider was paid at the part time weekly rate for four weeks during the month selected, but for three of the four weeks, the service provider should have been paid at the part time hourly rate. In addition, the total hours per day on the monthly attendance sheet was miscalculated and overstated by 22 hours and 58 minutes for the month selected. Additionally, the \$140 reimbursement rate exceeded the maximum allowed rate of \$133.46. This resulted in an overpayment by the County of \$91.63.

For one client file, the attendance sheet did not agree with the working schedule on the self employment income statement that was submitted. Per the self employment income statement, the parent did not work on a specified date for which the child care service was provided and paid. This resulted in an overpayment by the County of \$29.42.

For one client file, the payment was made at an hourly rate, but the service that was provided should have been at the full time rate. This resulted in an underpayment by the County of \$73.36.

For three client files, the number of weeks of service provided was incorrectly calculated which resulted in an underpayment of \$29.64 and an overpayment of \$29.63. The third service provider was paid correctly based on the correct requested amount.

For one client file, the number of hours on the payment voucher report did not agree with the total hours on the attendance sheet. Additionally, the certificate that authorizes the allowed hours stated that a maximum of 28 hours per week was allowed, but the amount on the payment voucher exceeded this amount. This resulted in an overpayment by the County of \$34.32.

**COUNTY OF SAN DIEGO
HEALTH AND HUMAN SERVICES AGENCY**

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2009

Section 2 – Financial Statement Findings (Continued)

2009-2 Finding – Payment calculation was incorrectly calculated (Continued):

For one client file, a payment was made at a lower rate than the rate that was approved (per the certificate) which resulted in an underpayment by the County of \$1.

For one client file, a payment was made at a lower rate than the rate stated on the certificate (which states the authorized rate to be paid). This resulted in an underpayment by the County of \$66.

For one client file, a payment was made at a weekly rate, but this rate was not supported by the certificate (which states the authorized rate to be paid). The certificate stated a monthly rate but the service provider was paid at a weekly rate. This resulted in an overpayment by the County of \$14.29.

Effect:

The County over/under paid for services that were provided by these service providers.

Recommendation:

We recommend that the County's staff review all payment calculations to verify that the service providers are being paid the correct amount.

Management's Response:

The County agrees with the finding.

2009-3 Finding – Forms were not completed properly and/or timely:

During our review of client files, we noted that eight out of 30 client files had forms that were not completed properly and/or timely:

For two client files, the applications were not properly signed by the authorized County representative. In addition, the recertification was performed more than one year after the prior certification.

For one client file, the recertification was performed more than one year after the prior certification.

For one client file, the certificate (which authorizes the services to be provided and the authorized rates of reimbursement) stated only that a part time rate for child care service was authorized, but the completed attendance sheet stated that the service provider worked hours that would fall under the full time rate. The County paid the service provider at the full time rate, but the full time rate was not authorized by the certificate.

For one client file, the pay rates that were used to calculate the payment amount to the service provider were not supported by the child care certificate.

**COUNTY OF SAN DIEGO
HEALTH AND HUMAN SERVICES AGENCY**

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2009

Section 2 – Financial Statement Findings (Continued)

2009-3 Finding – Forms were not completed properly and/or timely (Continued):

For two client files, the attendance sheet did not contain the time-in and time-out of the child. Therefore, we were unable to verify if the payments were made based on the correct amount of time. Additionally, we could not verify if the additional paid amounts for evenings and weekends were correctly calculated.

For one client file, the parent agreement was not signed by the case worker.

Effect:

The County could over/under pay for services if the required forms are not completed properly and timely.

Recommendation:

We recommend that the County's staff review all forms in order to verify that all forms are completed properly and timely, to ensure that all required forms are obtained, and to ensure that the service providers are being paid the correct amounts.

Management's Response:

The County agrees with the finding.

Section 3 – Compliance Findings and Questioned Costs

No findings

**COUNTY OF SAN DIEGO
HEALTH AND HUMAN SERVICES AGENCY**

Status of Prior Year Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2009

Section 2 – Financial Statement Findings

2008-1 Finding – Service Providers' time calculations were incorrectly calculated:

During our review of client files, we noted that for three out of 28 clients, the time calculation for the hours/days worked by the respective service providers were not calculated correctly. Two of the service providers were overpaid (\$16.68 and \$9.00) and one service provider was underpaid (\$29.64). This resulted in the net underpayment of \$3.96.

Effect:

The County over/under paid for services that were provided by the three service providers.

Recommendation:

We recommend that the County's staff review all payment calculations to verify that the service providers (caretakers) are being paid the correct amount.

Status:

Not implemented – See Finding 2009-2

2008-2 Finding – Payment calculation was incorrectly calculated:

During our review of client files, we noted that for five out of twenty-eight clients, the payment calculations for services provided by the respective service providers were not calculated correctly. For four of the service providers, the incorrect payment rate was used which resulted in an overpayment of \$23.00, an underpayment of \$77.85, an overpayment of \$4.67, and an underpayment of \$3.12. For the fifth service provider, there was a mathematical error which caused the service provider to be underpaid by \$3.86. This resulted in a net underpayment of \$57.16.

Effect:

The County over/under paid for services that were provided by the five service providers.

Recommendation:

We recommend that the County's staff review all payment calculations to verify that the service providers are being paid the correct amount.

Status:

Not implemented – See Finding 2009-2

**COUNTY OF SAN DIEGO
HEALTH AND HUMAN SERVICES AGENCY**

Status of Prior Year Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2009

Section 2 – Financial Statement Findings (Continued)

2008-3 Finding – Family fees were calculated incorrectly:

During our review of client files, we noted that five out of 28 family fees were calculated incorrectly.

For two of the family fee calculations, the client's income calculation was incorrectly calculated which resulted in an incorrect family fee being assessed. This resulted in an overpayment of \$207.00 by the County and an underpayment of \$50.00.

For one of the family fee calculations, there was insufficient documentation to verify the countable income and so we can not determine if the family fee being assessed is correct.

For one of the family fee calculations, one of the clients was not being charged a family fee even though the client should have been assessed a fee. This resulted in an overpayment of \$67.50.

For one of the family fee calculations, one of the client's family fee calculation was based on the incorrect number of days worked which resulted in an underpayment of \$8.00.

Effect:

The County assessed incorrect family fees which resulted in the County over/under paying the respective service providers with State funds.

Recommendation:

We recommend that the County ensure that all family fee and family income calculations are calculated correctly and are reviewed for accuracy by authorized personnel.

Status:

Not implemented – See Finding 2009-1

Section 3 – Compliance Findings and Questioned Costs

2008-4 Finding – Allocation of Payroll:

During the test of the payroll system for the CAPP-7057, C2AP-7051, and C3AP-7052 contracts, we noted that the time allocation to the three contracts was incorrectly calculated. Subsequent to our finding, the County investigated the discrepancy and determined that it was over charging payroll expenditures to the three contracts. The County has made corrections to the payroll expenditure allocation for the three contracts for the 2007/08 year.

Questioned Cost:

Not applicable – subsequently corrected by County.

**COUNTY OF SAN DIEGO
HEALTH AND HUMAN SERVICES AGENCY**

Status of Prior Year Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2009

Section 3 – Compliance Findings and Questioned Costs (Continued)

Effect:

The payroll expenditures were not being properly allocated to the different contracts.

Recommendation:

We recommend that the County review the allocation of the payroll expenditures to ensure that the correct amounts are being allocated to each of the three contracts.

Status:

Implemented